

**CITY OF LAMONI
& LAMONI MUNICIPAL UTILITIES
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2013

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	4-5
Management's Discussion and Analysis	6-11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 13
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	B 14
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	C 15
Notes to Financial Statements	16-27
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances - Budget and Actual (Cash Basis) – All Governmental	
Funds and Proprietary Funds	29
Notes to Other Information – Budgetary Reporting	30
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes	
in Cash Balances – Nonmajor Governmental Funds	1 32
Schedule of Cash Receipts, Disbursements and Changes	
in Cash Balances – Capital Projects Fund	2 33
Schedule of Indebtedness	3 34
Bond and Note Maturities	4 35
Schedule of Receipts by Source and Disbursements by Function –	
All Governmental Funds	5 36
Independent Auditors' Report on Internal Control over Financial	
Reporting and on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <i>Government Auditing Standards</i>	38-39
Schedule of Findings	40-43

City of Lamoni

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Janelle Anders	Mayor	January 2014
Marcy Biesemeyer	Mayor Pro-Tem	January 2014
Anthony Crandell	Council Member	January 2014
Mary Ann Manuel	Council Member	January 2014
Doug Foster	Council Member	January 2016
Ruth Smith	Council Member	January 2016
Barb Stuck	Clerk/Administrator/Treasurer	Indefinite
Judy Harris	Deputy Clerk	Indefinite
Emil Segebart	General Manager/ Lamoni Municipal Utilities	Indefinite
Patrick Greenwood	City Attorney	Indefinite

November 21, 2013

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni and Lamoni Municipal Utilities, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...

Independent Auditor's Report
City of Lamoni

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni and Lamoni Municipal Utilities as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamoni and Lamoni Municipal Utilities' basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the five years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 11, and 29 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 21, 2013 on our consideration of the City of Lamoni's and Lamoni Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lamoni's and Lamoni Municipal Utilities' internal control over financial reporting and compliance.

Shuman & Associates, P. C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lamoni, we offer readers of the City of Lamoni's financial statements this narrative overview and analysis of the financial activities of the City of Lamoni for the fiscal year ending June 30, 2013. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2013 Financial Highlights

- Receipts of the City's governmental activities increased by \$730,294 from fiscal 2012 to fiscal 2013. Operating grants increased approximately \$467,000, and note proceeds increased \$310,000.
- Disbursements increased \$421,751, from fiscal 2012 to fiscal 2013. Public works increased approximately \$379,000 for the purchase of land for the airport financed through a federal grant.
- The City's total cash basis net position increased by \$867,887 from June 30, 2012 to June 30, 2013. Of this amount, the assets of the governmental activities (**the City**) increased \$439,823 and the assets of the business type activities (**the Utilities**) increased by \$428,064.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities (the City) include public safety, public works, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities (the Utilities) include the electric and gas utilities, the water works, and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The Governmental Fund Financial Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities (**the Utilities**). The City maintains four Enterprise Funds to provide separate information for the electric, gas, water and sewer funds, all considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$439,823 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 289,680	\$ 282,290
Operating grants, contributions and restricted interest	853,700	386,233
Capital grants, contributions and restricted interest	55	-
General receipts:		
Property tax	683,306	731,717
Tax increment financing	24,090	24,712
Local option sales tax	123,992	129,921
Grants and contributions not restricted to specific purposes	1,886	1,493
Unrestricted interest on investments	211	260
Note proceeds	310,000	-
Total receipts	<u>2,286,920</u>	<u>1,556,626</u>
Disbursements:		
Public safety	375,098	436,667
Public works	962,599	583,188
Culture and recreation	292,263	256,184
Community and economic development	46,439	40,073
General government	132,623	160,729
Debt service	117,873	27,040
Capital projects	-	1,263
Total disbursements	<u>1,926,895</u>	<u>1,505,144</u>
Change in cash basis net position before transfers	360,025	51,482
Transfers, net	<u>79,798</u>	<u>78,428</u>
Change in cash basis net position	439,823	129,910
Cash basis net position beginning of year	<u>587,391</u>	<u>457,481</u>
Cash basis net position end of year	<u>\$ 1,027,214</u>	<u>\$ 587,391</u>

The total receipts for governmental activities increased 730,294.

The cost of all governmental activities this year was \$1,926,895 compared to \$1,505,144 last year.

Increase in costs was noted for public works due to the purchase of land for the airport.

As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$783,460, due to costs paid by those directly benefited from the programs of \$289,680 or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest of \$853,755.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service		
Electric	\$ 2,540,663	\$ 2,415,541
Gas	674,771	576,659
Water	437,780	417,904
Sewer	280,348	265,312
Operating grants, contributions and restricted interest	3,649	9,904
General receipts:		
Unrestricted interest on investments	18,480	11,813
Miscellaneous	237,416	105,554
Total receipts	<u>4,193,107</u>	<u>3,802,687</u>
Disbursements:		
Electric	2,543,738	2,724,005
Gas	475,207	850,691
Water	390,467	409,830
Sewer	280,833	296,560
Total disbursements	<u>3,690,245</u>	<u>4,281,086</u>
Change in cash basis net position before transfers	502,862	(478,399)
Transfers, net	<u>(79,798)</u>	<u>(78,428)</u>
Change in cash basis net position	423,064	(556,827)
Cash basis net position beginning of year	<u>1,751,408</u>	<u>2,308,235</u>
Cash basis net position end of year	<u>\$ 2,174,472</u>	<u>\$ 1,751,408</u>

Total business type activities receipts for the fiscal year were \$4,193,107 compared to \$3,802,687 last year. The cash balance increased by \$428,064. Total disbursements for the fiscal year decreased \$595,841.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lamoní completed the year, its governmental funds reported a combined fund balance of \$1,027,214, an increase of \$439,823 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was \$(2,098), a decrease of \$5,450 from the prior year.
- The Road Use Tax Fund balance at the end of the fiscal year was \$136,992, an increase of \$2,474.
- The Local Option Sales Tax Fund balance at the end of the fiscal year was \$384,875, an increase of \$45,156 from the prior year. The City is accumulating LOST funds for a completion of a third ball field and a bathhouse/storm shelter project.

- The Trust Funds Fund balance was \$171,750, an increase of \$98,971 from the prior year due to the transfer of funds from Capital Projects.
- The Capital Projects Fund balance was \$302,953, an increase of \$230,163 due to unspent note proceeds of \$310,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS (LAMONI MUNICIPAL UTILITIES)

- The Electric Fund balance at the end of the fiscal year was \$929,578, an increase of \$22,586 from the prior year.
- The Gas Fund balance at the end of the fiscal year was \$452,618, an increase of \$205,416. At the end of the prior fiscal year, LMU had a large portion of its funds in gas inventory. During the current fiscal year, LMU purchased less gas and sold inventory gas, thereby depleting the inventory and creating a larger cash balance than what is considered annual earnings.
- The Water Fund balance at the end of the fiscal year was \$492,637, an increase of \$197,643. LMU received a settlement check of \$160,368. This check was a result of a class action lawsuit, which LMU participated, against a chemical company contaminating water supplies with Atrazine. It is commonly referred to as the "Atrazine Settlement".
- The Sewer Fund balance at the end of the fiscal year was \$304,639, an increase of \$2,419 from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended by \$524,906 for receipts and \$620,020 for disbursements. City receipts were approximately \$24,000 less than budgeted. After the budget amendment, total disbursements were approximately \$318,000 less than anticipated primarily due to fewer disbursements for debt service and business type activities.

DEBT ADMINISTRATION

At June 30, 2013, the City had approximately \$3,415,000 in bonds and other long-term debt, compared to approximately \$3,394,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)			
	Year ended June 30,		
	2013	2012	
General obligation notes and bonds	\$ 705	\$ 487	
Revenue bonds and notes (Utility debt)	2,665	2,857	
Other debt	45	50	
	<u>\$ 3,415</u>	<u>\$ 3,394</u>	

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$705,000 is below its constitutional debt limit of approximately \$3,040,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Lamoni's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for various City activities.

The City of Lamoni levied based on the needs of the City to maintain the current level of services and repayment of debt. Also included in the budget is a new sewer main extension to extend services to our eastern border.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barb Stuck, City Clerk, 190 South Chestnut Street, Lamoni, Iowa. Contact Emil Segebart, General Manager, 111 South Chestnut Street, Lamoni, Iowa for questions concerning the Lamoni Municipal Utilities' finances.

**CITY OF LAMONI
& LAMONI MUNICIPAL UTILITIES
BASIC FINANCIAL STATEMENTS**

City of Lamoni
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2013

	Program Receipts				Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:	Disbursements	Charges for Service					
Governmental activities:							
Public safety	\$ 375,098	12,653	77,497	-	(284,948)	-	(284,948)
Public works	962,599	237,721	639,619	-	(85,259)	-	(85,259)
Culture and recreation	292,263	37,396	94,105	-	(160,762)	-	(160,762)
Community and economic development	46,439	-	19,327	-	(27,112)	-	(27,112)
General government	132,623	1,910	23,152	-	(107,561)	-	(107,561)
Debt service	117,873	-	-	-	(117,873)	-	(117,873)
Capital projects	-	-	-	55	55	-	55
Total governmental activities	1,926,895	289,680	853,700	55	(783,460)	-	(783,460)
Business type activities:							
Electric	2,543,738	2,540,663	-	-	-	(3,075)	(3,075)
Gas	475,207	674,771	46	-	-	199,610	199,610
Water	390,467	437,780	3,050	-	-	50,363	50,363
Sewer	280,833	280,348	553	-	-	68	68
Total business type activities	3,690,245	3,933,562	3,649	-	-	246,966	246,966
Total	\$ 5,617,140	4,223,242	857,349	55	(783,460)	246,966	(536,494)
General Receipts:							
Property tax levied for general purposes							
General purposes					381,114	-	381,114
Employee benefits					180,826	-	180,826
Debt service					121,366	-	121,366
Tax increment financing					24,090	-	24,090
Local option sales tax					123,992	-	123,992
Grants and contributions not restricted to specific purpose					1,886	-	1,886
Unrestricted interest on investments					211	18,480	18,691
Miscellaneous					-	237,416	237,416
Note proceeds					310,000	-	310,000
Transfers					79,798	(79,798)	-
Total general receipts and transfers					1,223,283	176,098	1,399,381
Change in cash basis net position					439,823	423,064	862,887
Cash basis net position beginning of year					587,391	1,751,408	2,338,799
Cash basis net position end of year					\$ 1,027,214	2,174,472	3,201,686
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					\$ 136,992	-	136,992
Local option referendum purposes					384,875	-	384,875
Trust purposes					171,750	-	171,750
Capital projects					332,332	795,093	1,127,425
Other purposes					105,531	-	105,531
Unrestricted					(104,266)	1,379,379	1,275,113
Total cash basis net position					\$ 1,027,214	2,174,472	3,201,686

See notes to financial statements.

City of Lamoni
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2013

	General	Special Revenue			Capital Projects	Other Nonmajor Governmental Funds	Total
		Road Use Tax	Local Option Sales Tax	Trust Funds			
Receipts							
Property tax	\$ 365,292	-	-	-	-	301,678	666,970
Tax increment financing	-	-	-	-	-	24,090	24,090
Other city tax	15,822	-	123,992	-	-	514	140,328
Licenses and permits	1,830	-	-	-	-	-	1,830
Use of money and property	14,043	-	-	1,148	55	-	15,246
Intergovernmental	21,887	222,560	-	472,384	-	-	716,831
Charges for service	261,177	-	-	-	-	-	261,177
Miscellaneous	59,220	-	-	91,228	-	-	150,448
Total receipts	739,271	222,560	123,992	564,760	55	326,282	1,976,920
Disbursements							
Operating:							
Public safety	254,241	-	2,934	58,558	-	59,365	375,098
Public works	236,769	220,086	42,914	428,365	-	34,465	962,599
Culture and recreation	196,571	-	32,988	35,049	3,947	23,708	292,263
Community and economic development	3,060	-	-	19,068	-	24,311	46,439
General government	112,318	-	-	694	-	19,611	132,623
Debt service	-	-	-	-	-	117,873	117,873
Total disbursements	802,959	220,086	78,836	541,734	3,947	279,333	1,926,895
Excess (deficiency) of receipts over (under) disbursements	(63,688)	2,474	45,156	23,026	(3,892)	46,949	50,025
Other financing sources (uses):							
Note proceeds	-	-	-	-	310,000	-	310,000
Operating transfers in	58,238	-	-	75,945	-	21,560	155,743
Operating transfers out	-	-	-	-	(75,945)	-	(75,945)
	58,238	-	-	75,945	234,055	21,560	389,798
Net change in cash balances	(5,450)	2,474	45,156	98,971	230,163	68,509	439,823
Cash balances beginning of year	3,352	134,518	339,719	72,779	72,790	(35,767)	587,391
Cash balances end of year	\$ (2,098)	136,992	384,875	171,750	302,953	32,742	1,027,214
Cash Basis Fund Balances							
Restricted for:							
Streets	\$ -	136,992	-	-	-	-	136,992
Local option referendum purposes	-	-	384,875	-	-	-	384,875
Trust purposes	-	-	-	171,750	-	-	171,750
Capital projects	-	-	-	-	332,332	-	332,332
Other purposes	-	-	-	-	-	105,531	105,531
Unassigned	(2,098)	-	-	-	(29,379)	(72,789)	(104,266)
Total cash basis fund balances	\$ (2,098)	136,992	384,875	171,750	302,953	32,742	1,027,214

See notes to financial statements.

City of Lamoni – Lamoni Municipal Utilities
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2013

	Enterprise Funds				
	Electric	Gas	Water	Sewer	Total
Operating receipts:					
Charges for service	\$ 2,537,657	674,676	435,775	280,333	3,928,441
Operating disbursements:					
Business type activities	<u>2,253,999</u>	<u>462,216</u>	<u>362,051</u>	<u>163,899</u>	<u>3,242,165</u>
Excess of operating receipts over operating disbursements	283,658	212,460	73,724	116,434	686,276
Non-operating receipts (disbursements):					
Interest on investments	9,251	4,340	3,721	1,168	18,480
Rent	3,006	95	2,005	15	5,121
Intergovernmental	-	46	3,050	553	3,649
Miscellaneous	69,648	1,466	165,119	1,183	237,416
Debt service	(200,485)	-	(19,130)	(75,080)	(294,695)
Capital projects	<u>(89,254)</u>	<u>(12,991)</u>	<u>(9,286)</u>	<u>(41,854)</u>	<u>(153,385)</u>
Total non-operating receipts (disbursements)	<u>(207,834)</u>	<u>(7,044)</u>	<u>145,479</u>	<u>(114,015)</u>	<u>(183,414)</u>
Excess of receipts over disbursements	75,824	205,416	219,203	2,419	502,862
Other financing sources (uses)					
Operating transfers out	<u>(58,238)</u>	<u>-</u>	<u>(21,560)</u>	<u>-</u>	<u>(79,798)</u>
	<u>(58,238)</u>	<u>-</u>	<u>(21,560)</u>	<u>-</u>	<u>(79,798)</u>
Net change in cash balances	17,586	205,416	197,643	2,419	423,064
Cash balances beginning of year	<u>906,992</u>	<u>247,202</u>	<u>294,994</u>	<u>302,220</u>	<u>1,751,408</u>
Cash balances end of year	<u>\$ 924,578</u>	<u>452,618</u>	<u>492,637</u>	<u>304,639</u>	<u>2,174,472</u>
Cash Basis Fund Balances					
Restricted for debt service	\$ 409,957	-	311,608	73,528	795,093
Unrestricted	<u>514,621</u>	<u>452,618</u>	<u>181,029</u>	<u>231,111</u>	<u>1,379,379</u>
Total cash basis fund balances	<u>\$ 924,578</u>	<u>452,618</u>	<u>492,637</u>	<u>304,639</u>	<u>2,174,472</u>

See notes to financial statements.

City of Lamoni
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies

The City of Lamoni is a political subdivision of the State of Iowa located in Decatur County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also manages the Lamoni Municipal Utilities (the Utilities) which provide electric, gas, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Lamoni has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Decatur County Assessor's Conference Board, the Decatur County Emergency Management Commission, and the Wayne- Ringgold-Decatur County Solid Waste Management Commission and Southern Iowa Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Lamoni
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of cash balances that do not meet the definition of the preceding category. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Lamoni
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

The Local Option Sales Tax Fund accounts for the local option sales tax received to be used for property tax relief, public safety and culture and recreation.

The Trust Funds Fund is used to account for resources from grantors who have specified how the funds should be spent.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through proprietary funds.

Lamoni Municipal Utilities reports the following major proprietary funds:

The Electric Fund accounts for the delivery of electricity to the citizens and businesses of the City.

The Gas Fund accounts for the delivery of natural gas to the citizens and businesses of the City.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Lamoni maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balances and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

City of Lamoni
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, and community and economic development functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2011, to compute the amounts which became liens on property on July 1, 2012. These taxes were due and payable in two installments on September 30, 2012 and March 31, 2013, at the Decatur County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Lamoni
Notes to Financial Statements
June 30, 2013

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
EE bonds	\$ 275	\$ 500	January 2015

In addition, the Utilities had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$905 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The Utilities' investment in the Iowa Public Agency Trust is unrated.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation and other debt, (the City's) and revenue debt (the Utilities') are as follows:

Year Ending June 30,	General Obligation Bonds & Notes		Revenue Bonds & Notes		Other Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 123,850	22,851	199,000	90,561	6,000	-	328,850	113,412
2015	125,884	18,161	201,000	85,823	6,000	-	332,884	103,984
2016	96,698	13,617	207,000	80,530	6,000	-	309,698	94,147
2017	98,576	10,199	210,000	74,733	6,000	-	314,576	84,932
2018	50,462	6,731	217,000	68,399	6,000	-	273,462	75,130
2019-2023	209,530	15,057	1,147,000	228,046	14,500	-	1,371,030	243,103
2024-2028	-	-	446,000	38,933	-	-	446,000	38,933
2029-2030	-	-	38,000	1,710	-	-	38,000	1,710
	<u>\$ 705,000</u>	<u>86,616</u>	<u>2,665,000</u>	<u>668,735</u>	<u>44,500</u>	<u>-</u>	<u>3,414,500</u>	<u>755,351</u>

City of Lamoni
Notes to Financial Statements
June 30, 2013

NOTE (3) Bonds and Notes Payable – Continued

Interest costs paid during the year ended June 30, 2013 totaled \$121,868.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$3,040,000 which was not exceeded during the year ended June 30, 2013.

Revenue Notes

The Utilities have pledged future water customer receipts, net of specified operating disbursements, to repay \$293,000 issued in January 2010. Proceeds from the notes provided financing for the construction of water main extensions and improvements to the water treatment facility. The notes are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 80% of net receipts. Total principal and interest remaining to be paid on the notes is \$336,080. For the current year, principal and interest paid and total customer net receipts were \$19,130 and \$73,724, respectively.

The Utilities have pledged future sewer customer receipts, net of specified operating disbursements, to repay \$514,000 in sewer revenue notes issued in June 2002, and \$594,000 in sewer revenue notes issued in October 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90% of net receipts. The total principal and interest remaining to be paid on the notes is \$632,820. For the current year, principal and interest paid and total customer net receipts were \$75,080 and \$116,434, respectively.

The Utilities have pledged future electric customer receipts, net of specific operating disbursements, to repay \$2,200,000 in electric revenue notes issued on June 30, 2010. Proceeds from the notes are to provide financing for the construction of improvements to the municipal electric utility system, including the acquisition and installation of two diesel generators. The notes are payable solely from electric customer receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require 90% of net receipts. Total principal and interest remaining to be paid on the notes is \$2,364,835. For the current year, principal and interest payments and total customer net receipts were \$200,485 and \$283,658, respectively.

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the water enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.

City of Lamoni
Notes to Financial Statements
June 30, 2013

NOTE (3) Bonds and Notes Payable – Continued

- c) \$70,000 is required to be maintained in a water revenue note reserve account. The account is restricted for the purpose of paying the note principal and interest payments whenever, for any reason, the funds in the water revenue note sinking account are insufficient to pay such principal and interest when due.
- d) Monthly transfers of \$1,500 shall be made to the water revenue note improvement and extension account, after the sinking and reserve funds have been adequately funded. Transfers are to be made until \$125,000 has been accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for correcting any deficiencies in the sinking and revenue accounts.
- e) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in the water revenue surplus account within the Enterprise Funds until a minimum of \$125,000 is accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking, reserve, and improvement and extension accounts.
- f) User rates shall be established at a level which produces and maintains net receipts at a level not less than 125% of the amount of principal and interest on the notes falling due in the next year.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the sewer enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of correcting any deficiencies in the sinking account.
- d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

City of Lamoni
Notes to Financial Statements
June 30, 2013

NOTE (3) Bonds and Notes Payable – Continued

The resolution providing for the issuance of the electric revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the electric enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) \$202,985 shall be deposited and maintained in an electric revenue note reserve account. The account is restricted for the purpose of paying the principal and interest payments whenever, for any reason, the funds in the electric revenue note sinking account is insufficient to pay such principal and interest when due.
- d) \$150,000 shall be deposited and maintained in an electric revenue note improvement and extension account. This account is restricted for the purpose of paying any improvement, extension or repair to the system, or for correcting any deficiencies in the sinking and reserve accounts.
- e) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

Lamoni Municipal Utilities is in compliance with the provisions of the bond resolutions above.

NOTE (4) Debt Refinance

During the year, Iowa Finance Authority reduced the interest rate from 3% to 1.75% on three debt issuances owed to them. The rate change resulted in a cash flow savings of \$44,763.

NOTE (5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$90,446, \$84,944, and \$71,884, respectively, equal to the required contributions for each year.

City of Lamoni
Notes to Financial Statements
June 30, 2013

NOTE (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. City employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement, up to a maximum of 480 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2013, primarily relating to the General Fund and Proprietary Funds are as follows:

Type of Benefit	Amount
Vacation	\$ 62,000
Sick leave	140,000
	<u>\$ 202,000</u>

This liability is computed on rates of pay effective as of June 30, 2013.

NOTE (7) Other Postemployment Benefits (OPEB)

City Employee Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 11 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$380 for single coverage and \$876 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013 there were no plan members eligible for benefits.

City of Lamoni
Notes to Financial Statements
June 30, 2013

NOTE (7) Other Postemployment Benefits (OPEB) - Continued

Utility Employee Benefits

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 16 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$471 for single coverage and \$1,085 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the Utility contributed \$1,129 and plan members eligible for benefits contributed \$2,400 to the plan.

NOTE (8) Commitment – Colony Housing Authority

In December 1979, the City entered into an agreement with Colony Housing Authority (CHA) of Lamoni, whereby CHA, who constructed and maintains a multiple dwelling complex for senior citizens, agreed to provide dining facilities for 30 additional persons. In consideration for the above, the City agreed to pay CHA \$500 per month commencing October 1, 1980, for a period of 480 months. The remaining balance at June 30, 2013 is \$40,500.

NOTE (9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Proprietary Electric	\$ 58,238
Special Revenue: Trust Funds	Capital Projects	75,945
Debt Service	Proprietary Water	<u>21,560</u>
		<u>\$ 155,743</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

City of Lamoni
Notes to Financial Statements
June 30, 2013

NOTE (10) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (11) Economic Development

On August 9, 2001, the City entered into an agreement with Saab Auto and Lease, L.L.C. whereby the City will make economic development tax rebate payments to the Company for ten fiscal years during the term of the agreement. The amounts paid will represent the incremental property taxes paid with respect to the project by the Company in that fiscal year. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City attributable to the property. The City paid the Company \$7,120 during the fiscal year ended June 30, 2013.

On April 10, 2003, the City entered into a developing agreement with Southern Iowa Building Center, Inc. whereby the City agreed to make economic development tax rebate payments to the developer for ten fiscal years during the term of the agreement. The amounts paid will represent the property taxes paid with respect to the incremental increase in the value of the project. The rebate payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2005 and continuing through and including June 1, 2014. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City. The City paid the developer \$17,191 during the fiscal year ended June 30, 2013.

NOTE (12) Wayne- Ringgold- Decatur County Solid Waste Management Commission

The City, in conjunction with thirty-one other municipalities and counties, has created the Wayne-Ringgold-Decatur County Solid Waste Management Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Commission is governed by a board composed of an elected representative of the governed body of each participating governmental jurisdiction. During the year ended June 30, 2013, the City of Lamoni paid the Wayne-Ringgold Decatur County Solid Waste Management Commission \$23,240. The City's future commitment is based on its population, which is currently computed at \$2.50 per capita per quarter.

Completed financial statements for the Commission can be obtained from the Commission.

City of Lamoni
Notes to Financial Statements
June 30, 2013

NOTE (13) Deficit Fund Balances

At June 30, 2013, the City had the following deficit fund balances:

General	\$ 2,098
Debt Service	72,789
Capital Projects Fund – Airport Account	29,129
Capital Projects Fund – Fire Account	250
Total	<u>\$ 104,266</u>

The deficits will be eliminated with transfers and grant reimbursements.

NOTE (14) Construction Commitments

At June 30, 2013, Lamoni Municipal Utilities had outstanding engineer contract commitments of \$8,596 for a sewer improvement project.

NOTE (15) Subsequent Events

In July 2013, Lamoni Municipal Utilities approved construction contracts totaling approximately \$350,000 for a sewer improvement project.

Other Information

City of Lamoni
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts						
Property tax	\$ 666,970	-	666,970	663,616	744,941	(77,971)
Tax increment financing	24,090	-	24,090	21,600	20,100	3,990
Other city tax	140,328	-	140,328	101,000	101,000	39,328
Licenses and permits	1,830	-	1,830	18,250	17,386	(15,556)
Use of money and property	15,246	23,601	38,847	13,300	13,559	25,288
Intergovernmental	716,831	3,649	720,480	225,224	639,224	81,256
Charges for service	261,177	3,928,441	4,189,618	4,454,468	4,454,468	(264,850)
Miscellaneous	150,448	237,416	387,864	123,684	155,370	232,494
Total receipts	1,976,920	4,193,107	6,170,027	5,621,142	6,146,048	23,979
Disbursements						
Public safety	375,098	-	375,098	350,817	359,867	(15,231)
Public works	962,599	-	962,599	469,833	469,833	(492,766)
Culture and recreation	292,263	-	292,263	261,129	266,701	(25,562)
Community and economic development	46,439	-	46,439	23,200	26,700	(19,739)
General government	132,623	-	132,623	143,675	331,573	198,950
Debt service	117,873	-	117,873	-	414,000	296,127
Business type activities	-	3,690,245	3,690,245	4,061,821	4,061,821	371,576
Total disbursements	1,926,895	3,690,245	5,617,140	5,310,475	5,930,495	313,355
Excess of receipts over disbursements	50,025	502,862	552,887	310,667	215,553	337,334
Other financing sources, net:	389,798	(79,798)	310,000	-	71,964	238,036
Excess of receipts and other financing sources over disbursements and other financing uses	439,823	423,064	862,887	310,667	287,517	575,370
Balances beginning of year	587,391	1,751,408	2,338,799	2,787,804	2,787,804	(449,005)
Balances end of year	\$ 1,027,214	2,174,472	3,201,686	3,098,471	3,075,321	126,365

See accompanying independent auditors' report.

City of Lamoni
Notes to Other Information – Budgetary Reporting
June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$620,020. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amended amounts budgeted in the public safety, public works, culture and recreation, and community and economic development functions.

Supplementary Information

City of Lamoni
Schedule of Cash Receipts, Disbursements and Changes
in Cash Balances – Nonmajor Governmental Funds
As of and for the year ended June 30, 2013

	Special Revenue			Total
	Employee Benefits	Urban Renewal Tax Increment	Debt Service	
Receipts				
Property tax	\$ 180,745	-	120,933	301,678
Tax increment financing collections	-	24,090	-	24,090
Other city tax	81	-	433	514
Total receipts	180,826	24,090	121,366	326,282
Disbursements:				
Operating:				
Public safety	59,365	-	-	59,365
Public works	34,465	-	-	34,465
Culture and recreation	23,708	-	-	23,708
Community and economic development	-	24,311	-	24,311
General government	19,611	-	-	19,611
Debt service	-	-	117,873	117,873
Total disbursements	137,149	24,311	117,873	279,333
Excess (deficiency) of receipts over (under) disbursements	43,677	(221)	3,493	46,949
Other financing sources				
Operating transfers in	-	-	21,560	21,560
Net change in cash balances	43,677	(221)	25,053	68,509
Cash balances beginning of year	31,910	30,165	(97,842)	(35,767)
Cash balances end of year	\$ 75,587	29,944	(72,789)	32,742
Cash Basis Fund Balances				
Restricted for other purposes	\$ 75,587	29,944	-	105,531
Unassigned	-	-	(72,789)	(72,789)
Total cash basis fund balances	\$ 75,587	29,944	(72,789)	32,742

See accompanying independent auditors' report.

City of Lamoni
Combining Schedule of Cash Receipts, Disbursements and Changes
in Cash Balances – Capital Projects Fund
As of and for the year ended June 30, 2013

	Capital Projects					
	Street	Sewer	Trail	Fire	Airport	Total
Receipts						
Use of money and property	\$ -	55	-	-	-	55
Disbursements:						
Culture and recreation	-	-	3,947	-	-	3,947
Total disbursements	-	-	3,947	-	-	3,947
Excess (deficiency) of receipts over (under) disbursements	-	55	(3,947)	-	-	(3,892)
Other financing sources (uses)						
Note proceeds	-	310,000	-	-	-	310,000
Operating transfers out	(75,945)	-	-	-	-	(75,945)
	(75,945)	310,000	-	-	-	234,055
Net change in cash balances	(75,945)	310,055	(3,947)	-	-	230,163
Cash balances beginning of year	86,008	-	16,161	(250)	(29,129)	72,790
Cash balances end of year	\$ 10,063	310,055	12,214	(250)	(29,129)	302,953
Cash Basis Fund Balances						
Restricted for capital projects	\$ 10,063	310,055	12,214	-	-	332,332
Unassigned	-	-	-	(250)	(29,129)	(29,379)
Total cash basis fund balances	\$ 10,063	310,055	12,214	(250)	(29,129)	302,953

See accompanying independent auditors' report.

City of Lamoni
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
Water improvement	Mar 1, 2001	1.75%	\$ 298,000	\$ 152,000	-	17,000	135,000	4,560	-
Fire station	Jul 7, 2005	4.00-4.10%	300,000	105,000	-	35,000	70,000	4,200	-
Street improvement	Oct 15, 2007	4.35-4.50%	385,000	230,000	-	40,000	190,000	10,113	-
Sewer improvement	May 23, 2013	2.93%	310,000	-	310,000	-	310,000	-	-
				<u>\$ 487,000</u>	<u>310,000</u>	<u>92,000</u>	<u>705,000</u>	<u>18,873</u>	<u>-</u>
Revenue bonds and notes:									
Water	Jan 27, 2010	3.00%	\$ 293,000	\$ 271,000	-	11,000	260,000	8,130	-
Sewer	Jun 30, 2002	1.75%	514,000	295,000	-	26,000	269,000	8,850	-
Sewer	Oct 15, 2002	1.75%	594,000	341,000	-	30,000	311,000	10,230	-
Electric	June 30, 2010	2.60-4.65%	2,200,000	1,950,000	-	125,000	1,825,000	75,485	-
				<u>\$ 2,857,000</u>	<u>-</u>	<u>192,000</u>	<u>2,665,000</u>	<u>102,695</u>	<u>-</u>
Other debt									
Crown colony contract	Oct 1, 1980	0.00%	\$ 240,000	\$ 50,500	-	6,000	44,500	-	-

See accompanying independent auditors' report.

City of Lamoni and Lamoni Municipal Utilities
Bond and Note Maturities
June 30, 2013

Year Ending June 30,	General Obligation Bonds and Notes										Other Debt	
	Water Improvement		Fire Station		Street Improvement		Street Improvement		Street Improvement		Crown Colony Contract	
	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount
2014	1.75%	17,000	4.00%	35,000	4.25%	45,000	2.93%	26,850	2.93%	26,850	0.00%	6,000
2015	1.75%	18,000	4.10%	35,000	4.35%	45,000	2.93%	27,884	2.93%	27,884	0.00%	6,000
2016	1.75%	18,000	-	-	4.40%	50,000	2.93%	28,698	2.93%	28,698	0.00%	6,000
2017	1.75%	19,000	-	-	4.45%	50,000	2.93%	29,576	2.93%	29,576	0.00%	6,000
2018	1.75%	20,000	-	-	-	-	2.93%	30,462	2.93%	30,462	0.00%	6,000
2019	1.75%	21,000	-	-	-	-	2.93%	31,374	2.93%	31,374	0.00%	6,000
2020	1.75%	22,000	-	-	-	-	2.93%	32,302	2.93%	32,302	0.00%	6,000
2021	-	-	-	-	-	-	2.93%	33,279	2.93%	33,279	0.00%	2,500
2022	-	-	-	-	-	-	2.93%	34,275	2.93%	34,275	-	-
2023	-	-	-	-	-	-	2.93%	35,300	2.93%	35,300	-	-
		<u>\$ 135,000</u>		<u>\$ 70,000</u>		<u>\$ 190,000</u>		<u>\$ 310,000</u>		<u>\$ 705,000</u>		<u>\$ 44,500</u>

Year Ending June 30,	Revenue Bonds and Notes										Total	
	Sewer		Sewer		Water		Water		Electric			
	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount
2014	1.75%	26,000	1.75%	31,000	3.00%	12,000	2.80%	130,000	2.80%	130,000		199,000
2015	1.75%	27,000	1.75%	32,000	3.00%	12,000	3.00%	130,000	3.00%	130,000		201,000
2016	1.75%	28,000	1.75%	32,000	3.00%	12,000	3.25%	135,000	3.25%	135,000		207,000
2017	1.75%	29,000	1.75%	33,000	3.00%	13,000	3.60%	135,000	3.60%	135,000		210,000
2018	1.75%	30,000	1.75%	34,000	3.00%	13,000	3.80%	140,000	3.80%	140,000		217,000
2019	1.75%	31,000	1.75%	35,000	3.00%	14,000	4.00%	145,000	4.00%	145,000		225,000
2020	1.75%	32,000	1.75%	37,000	3.00%	14,000	4.15%	155,000	4.15%	155,000		238,000
2021	1.75%	33,000	1.75%	38,000	3.00%	15,000	4.30%	160,000	4.30%	160,000		246,000
2022	1.75%	33,000	1.75%	39,000	-	15,000	4.40%	165,000	4.40%	165,000		252,000
2023	-	-	-	-	-	16,000	4.50%	170,000	4.50%	170,000		186,000
2024	-	-	-	-	-	16,000	4.65%	175,000	4.65%	175,000		191,000
2025	-	-	-	-	-	17,000	4.65%	185,000	4.65%	185,000		202,000
2026	-	-	-	-	-	17,000	-	-	-	-		17,000
2027	-	-	-	-	-	18,000	-	-	-	-		18,000
2028	-	-	-	-	-	18,000	-	-	-	-		18,000
2029	-	-	-	-	-	19,000	-	-	-	-		19,000
2030	-	-	-	-	-	19,000	-	-	-	-		19,000
		<u>\$ 269,000</u>		<u>\$ 311,000</u>		<u>\$ 260,000</u>		<u>\$ 1,825,000</u>		<u>\$ 2,665,000</u>		

See accompanying independent auditors' report.

City of Lamoni
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Receipts										
Property tax	\$ 666,970	715,520	673,979	609,167	585,581	522,565	528,850	516,208	472,696	470,646
Tax increment financing collections	24,090	24,712	28,905	27,026	28,035	40,922	37,754	48,751	46,607	30,214
Other city tax	140,328	146,118	128,294	135,169	124,125	132,198	122,015	103,695	123,931	102,130
Licenses and permits	1,830	1,300	941	1,275	1,330	17,848	2,923	5,320	3,238	4,340
Use of money and property	15,246	16,324	10,587	13,468	15,705	14,939	15,587	16,966	21,302	15,397
Intergovernmental	716,831	307,034	375,204	533,304	581,540	281,586	296,819	646,347	445,651	272,793
Charges for service	261,177	248,752	236,843	209,887	215,379	190,563	190,790	185,773	172,962	151,651
Miscellaneous	150,448	96,866	115,101	93,101	76,969	167,901	207,189	131,358	360,411	127,047
Total	\$ 1,976,920	1,556,626	1,569,854	1,622,397	1,628,664	1,368,522	1,401,927	1,654,418	1,646,798	1,174,218
Disbursements										
Operating:										
Public safety	\$ 375,098	436,667	338,027	302,133	326,683	232,799	282,443	764,396	240,241	253,426
Public works	962,599	583,188	550,816	541,905	483,886	499,136	421,147	422,318	395,564	373,860
Culture and recreation	292,263	256,184	286,084	278,841	261,384	226,990	197,735	311,418	280,795	232,608
Community and economic development	46,439	40,073	64,046	27,035	64,795	137,163	95,912	73,196	75,298	47,938
General government	132,623	160,729	147,623	146,803	158,924	138,969	126,163	139,699	136,823	138,504
Debt service	117,873	27,040	203,290	205,571	201,079	144,511	343,423	338,720	275,348	122,947
Capital projects	-	1,263	400	162,113	426,256	330,787	123,014	412,303	578,299	39,103
Total	\$ 1,926,895	1,505,144	1,590,286	1,664,401	1,923,007	1,710,355	1,589,837	2,462,050	1,982,368	1,208,386

See accompanying independent auditors' report.

City of Lamoni

November 21, 2013

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 21, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepting accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Lamoni's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lamoni's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Lamoni's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in Part I of the accompanying Schedule of Findings that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued...

City of Lamoni
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lamoni's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Lamoni's Responses to Findings

City of Lamoni's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Lamoni's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lamoni and Lamoni Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schiper & Associates, P.C.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We do the best that we can to make sure that we have separation of duties with our limited staff.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-13 Reconciliation of Utility Billings and Collections

Comment – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Even though a listing of delinquent accounts is prepared on a monthly basis, procedures should be established to reconcile utility billings, collections and delinquencies for each billing period.

Response – We have implemented procedures to do this monthly.

Conclusion – Response accepted.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget

Comment – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety, public works, culture and recreation, and community and economic development, functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We estimate to the best of our ability the amounts that need to be amended. The overage spent came from cash carry over from the previous year that was spent. The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted. All budgets lapse at year end. Spending cash accumulations should be included in the budgeted amounts.

II-B-13 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 Business Transactions

Business transactions between the City and City officials, employees or relatives of City officials are detailed as follows:

Mary Ann Manuel, Council Member, Spouse of Owner of the Wellness Club	Services	\$ <u>850</u>
---	----------	---------------

The transaction with the Council Member does not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the year.

II-E-13 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (Continued):

II-F-13 Council Minutes

Comment – No transactions were found that we believe should have been approved in the Council minutes but were not. Publications of minutes did not include a summary of disbursements by fund for each month.

Recommendation – Disbursements by fund should be published as required.

Response – We are currently publishing monthly a summary of both receipts and disbursements by fund, as you recommended.

Conclusion – Response accepted.

II-G-13 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-13 Revenue Bonds and Notes

No instances of noncompliance with the revenue and note resolutions were noted.

II-I-13 Financial Condition

Comment - At June 30, 2013, the City had the following deficit fund balances:

General	\$	2,098
Debt Service		72,789
Capital Projects Fund – Airport Account		29,129
Capital Projects Fund – Fire Account		250
Total	\$	<u>104,266</u>

Recommendation – The deficit in the Debt Service Fund was due to insufficient transfers from the Special Revenue, Local Option Sales Tax Fund that were budgeted to be used for property tax relief. The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

Response – We will do so.

Conclusion – Response accepted.

II-J-13 Inactive Capital Projects

Comment – The Capital Projects Fund – Fire and Airport Accounts are inactive.

Recommendation – The City should make the appropriate transfers to close the accounts.

Response – We will do so.

Conclusion – Response accepted.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (Continued):

II-K-13 Excess Balance

Comment – The balance in the Special Revenue Fund – Local Option Sales Tax Account at June 30, 2013, was in excess of the fund's disbursements during the year.

Recommendation – The City should determine the necessity of maintaining the substantial balance.

Response – We have purchased some equipment for the street department that has been planned for some time. We have saved funds for the bathhouse/storm shelter project, which is currently underway. We are in the process of implementing a capital improvement plan to assist with the planning of the LOST funds.

Conclusion – Response accepted.

II-L-13 Excess Tax Increment Financing Balance

Comment – The City's TIF balance includes funds collected and remitted to the City for property taxes assessed on a property in which the business had closed.

Recommendation –Chapter 403.19 requires the City to certify any reduction in the TIF debt for any reason to the County Auditor. The City should complete Form 3 or the TIF Indebtedness Certification to reduce the TIF indebtedness outstanding for cash on hand at June 30, 2013.

Response – We will do this.

Conclusion – Response accepted.

II-M-13 Urban Renewal Annual Report

The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.